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SENSITIVE

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SUBJECT: USTR OFFICIALS BRIEF DUTCH ON USG WTO SERVICES
POSITION

SENSITIVE BUT UNCLASSIFIED. PLEASE TREAT ACCORDINGLY.

11. (SBU) SUMMARY. Senior USTR representatives recently met with Dutch trade officials to reinforce the USG commitment to seeking an "ambitious" agreement on services negotiations within the WTO Doha Round. Despite concerns about progress to date, meeting participants agreed on the need to intensify efforts, including work plans on market access and actual texts on domestic regulations. Rules discussions, they agreed, remained largely an "information gathering" exercise at this point. This cable was cleared by USTR.
END SUMMARY.

12. (U) On January 31, Christine Bliss, Acting Assistant USTR for Services and Investment, and Christopher Melly, Director of Services Trade Negotiations, discussed progress on services negotiations within the WTO Doha Development Round with Willem van der Leeuw, Deputy Director of the Trade Policy and Investment Department, Ministry of Economic Affairs (MEA), Wieger Wiersema, Senior Policy Officer for Services Negotiations, Trade Policy and Investment Department, MEA, and Hanneke Boerma, Policy Officer for Trade Issues, European Cooperation Department, Ministry of Foreign Affairs.

NOTHING TO SHOW ON SERVICES?

13. (SBU) Bliss began by noting that the USG remained "ambitious" on seeking agreement on all elements of the current services negotiations (market access, domestic regulations, rules, and development). Given recent rumors to the contrary, van der Leeuw welcomed this confirmation. He remarked on the poor state of services negotiations to date, adding that the offers currently on the table had not met Dutch and EU expectations. The Dutch had also been disappointed at the WTO Ministerial in Hong Kong by a lack of ambition on services by developing countries. While agriculture was clearly an important issue for developing countries, a balanced outcome was also needed, including movement on services negotiations. Moreover, the EU (i.e., the French) believed that it had moved on agriculture without receiving anything in return in the areas of services and non-agricultural market access (NAMA).

14. (SBU) Van der Leeuw was hopeful that plurilateral

discussions would help to move the talks forward. Like the U.S., the Netherlands has a strong services sector (accounting for over 70 percent of GDP) that is dependent on greater international market access for growth. Key sectors of interest for the Dutch included financial, transport, distribution, environmental, and postal/express delivery services. Van der Leeuw stressed that the Dutch sought to focus their efforts on those sectors where results were feasible.

WORK PLAN NEEDED ON MARKET ACCESS

15. (SBU) Relative to other negotiations and in light of the breakdown in talks at Cancun in 2003, Bliss offered that the lack of progress on services was primarily due to factors outside the services area. She expressed concern that a plurilateral path might not result in effective negotiations, and indicated that the collective discussions should not replace the bilateral request-offer process, which promised the best opportunity to pursue individual priorities. She also cautioned that the July 31 deadline for services negotiations should not be used as an excuse for delaying parallel movements on agriculture talks. Instead, it was now important to intensify all efforts, including a push for actual work plans on market access in services so that Ministers would have a clear signal in April concerning the progress of the three main negotiating areas (services, agriculture, and manufactured goods).

16. (SBU) Wiersema agreed on the need to intensify bilateral discussions, but suggested that finding a critical mass that was willing to talk could be the only way to move forward at this stage. He also questioned whether it would be difficult for the U.S. to request liberalization on

THE HAGUE 00000356 002 OF 002

insurance, especially in light of U.S. market access limitations at the state level. While the USG expected certain limitations at the state level, as the EU might encounter at the national level, Bliss assured the Dutch that the USG was committed to aggressive offers on insurance and financial services in general.

17. (SBU) Bliss also highlighted the importance to the U.S. of telecommunications and remaining differences between the U.S. and EU on the definition of value-added. She cautioned that the EU offer in this area had been viewed as a rollback and stressed the need for the U.S. and the EU to resolve this issue before others used it as another reason for not moving forward. Frank talks were also needed on content and how to cover future platforms.

MODE 4 -- NO EXCUSE FOR FURTHER MOVEMENT

18. (SBU) Bliss worried that countries like Brazil and India were using Mode 4 (temporary entry of persons who provide services) as an excuse for no movement on services. The USG recognized the importance of Mode 4 services, both to U.S. industries and to U.S. trading partners. However, commitments made by the U.S. on Mode 4 services remained some of the best among WTO members.

MOVING TO TEXT ON DOMESTIC REGULATIONS

19. (SBU) Bliss noted that India, which had the lead on domestic regulations, was seeking greater commitments on contractual service suppliers in the area of horizontal disciplines on qualifications, standards and licensing requirements. This approach had caused problems for the U.S., as American professional associations and state regulators were concerned that it would create pressure to lower existing standards, especially for accountants, engineers, architects and medical professionals.

¶10. (SBU) Wiersema stressed the importance of getting legal text on domestic regulations presented. Bliss agreed, adding that any text would need to be tabled by April to ensure agreement by year's end. Additional issue papers would only result in further delays.

RULES - AN INFORMATION GATHERING EXERCISE

¶11. (SBU) On rules discussions, meeting participants agreed that this was largely an "information gathering exercise" at this point. Bliss said Malaysia had raised the issue of emergency safeguard mechanisms (ESM), but was largely seeking "political comfort."

BLAKEMAN